

**Subject** Building and construction contracts; retainage payments requirements  
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**Date** February 26, 2019

## Overview

This bill provides new requirements for retainage payments in building contracts.

## Summary

Section	Description
1	<p><b>Progress payments and retainage.</b></p> <p>Adds specific requirements when using retainage in building and construction contracts for the design, building, or repair of buildings, roads, and bridges. Retainage is the amount the contracting party keeps while waiting for the work to be completed. The existing section of law caps the amount that can be held back at five percent.</p> <p>This bill proposes new requirements and prohibitions on construction contracts related to retainage, including the following:</p> <ul style="list-style-type: none"><li>▪ Requires subcontractors to have the same retainage percentage as prime contractors</li><li>▪ Prohibits retainage for warranties or for warranty work</li><li>▪ Requires the final payment to be released to the contractor within 30 days of the last day of work or the last day materials or skills are provided</li><li>▪ Requires the retainage to be held in an interest-bearing escrow account or trust account in Minnesota and prohibits the money from being released except to the person who it is reserved for</li><li>▪ Requires prime contractors to include contact information for subcontractors in construction contracts and requires the person paying the payments (such as the property owner or public agency) to notify a subcontractor when asked so the subcontractor is aware that the payments went out to the prime contractor</li><li>▪ Requires all disputes related to retainage payments, incomplete work, or defective work in construction contracts in the state to be documented and provided to all parties in the dispute</li></ul>

Section	Description
2	<p data-bbox="451 275 1421 373">▪ Clarifies that all the provisions of this section apply to public contracts where a public agency has entered into a contract for improvements to public property</p> <p data-bbox="355 428 496 455"><b>Definitions.</b></p> <p data-bbox="355 470 1421 571">Provides a definition for a new term “responsible agent,” which means the person contracting for work, including a public agency’s representative if they are contracting for work, or another person who entered into a contract with a prime contractor.</p>



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